

Their attitude to this, which bordered on the negligent in the beginning, clearly indicated a mindset which said, "Somebody else will take care of us because of our power as highly elected officials in the state of Arkansas."

TED KOPPEL. In a sense, Jim, that's a negative way of saying the same thing we heard Mrs. Clinton say at the beginning of this broadcast. In other words, let somebody else take care of this. She put, in a more positive sense, i.e., "We had nothing to do with this. If Jim McDougal came and said, 'You owe so-and-so much in interest,' we paid it, but we never saw documents, we never had an active role in this Whitewater affair." To which you would say what?

JAMES STEWART. Well, that simply isn't true. I think it may have been true in the very beginning of the investment, when there were still high hopes that this would make money and the McDougals could handle everything, but by 1986, when the McDougal empire was crumbling, it was not true. At that point, Mrs. Clinton essentially took, singlehandedly, the control of this investment. She was the one who negotiated the loan renewals with the bank that held the mortgage. She was the one who handled all the correspondence. She was the one who went over all the numbers. She had possession of all the records.

TED KOPPEL. It is your contention that she vastly inflated the value of the Clintons' interest in Whitewater.

JAMES STEWART. That's correct.

TED KOPPEL. Correct?

JAMES STEWART. As I'm sure anybody who has ever applied for a mortgage knows, you have to disclose your assets in such a financial disclosure statement, and there are warnings on these forms to be honest about this, to be accurate, to be careful, not to use uncertain judgments, because to inflate that can be a federal crime. And yet Mrs. Clinton valued Whitewater at \$100,000 on a 1987 financial disclosure document, right after the bank itself had visited the property and concluded the most generous estimate for their half-interest would be \$52,000.

TED KOPPEL. So when you're talking about a \$100,000 evaluation, you're not talking about the value of the whole property, but the Clinton's half-interest?

JAMES STEWART. They valued their half-interest at \$100,000.

TED KOPPEL. I ask you this question advisedly, reminding our viewers that you have some experience as a lawyer. Is that a crime?

JAMES STEWART. It is a crime to submit a false financial document. In fact, their partners, the McDougals, are on trial in Little Rock this week for having submitted false financial documents to financial institutions. But to prove a case like that, a prosecutor would have to prove that it was knowingly a false submission. We haven't heard an explanation from either Mrs. Clinton or the President about that document, and that ultimately would be a question for a prosecutor and a jury to decide.

TED KOPPEL. I bring you back, Jim, to what we heard the President say just a few moments ago, again, at the top of this broadcast, sort of this—this cry of "What in heaven's name are we supposed to do? Somebody makes an allegation, we respond to the allegation. Somebody makes a new allegation, we respond to that allegation." This sounds like another one of those allegations. How do you respond to—to what the President is saying?

JAMES STEWART. Well, I don't think these allegations would be coming out, or the revelations, in this kind of slow, drip-by-drip process, if the White House and the Clintons had been forthright from the beginning, when this first surfaced in the campaign. Get

the story out. They came to me, or they sent someone to me, allegedly because they wanted to get the whole story out, and they had been advised at the time—and I told them the same thing—that to stop these inquiries, get in front of the story. Tell us what happened, and don't leave holes in the story. Be complete. Err on the side of completeness, and if people are bored, they can ignore it. But that has never been the strategy they have employed.

TED KOPPEL. Let's take a short break, Jim. When—we come back, we will talk about what Vince Foster knew about Whitewater and a number of other subjects.

[Commercial break.]

TED KOPPEL. And back once again with Jim Stewart.

You begin with the suicide of Vince Foster, and clearly believe that his suicide is pivotal to understanding everything that's happened to the Clintons in—in subsequent months and years. Have you reached any conclusion as to why he committed suicide?

JAMES STEWART. Well, first of all, there was the things [sic] he enumerated in—in the note that he wrote, and I think foremost among those was probably his concern about the handling of the firing of employees in the travel office, but what I think I can contribute that's new is that there were things bothering him that were so serious he didn't dare write them in his note, he didn't confide them to his wife. He was worried about his marriage. He was very much enmeshed in what we now know as Whitewater, and he knew of things that hadn't come to light that could prove embarrassing. He was concerned about the deterioration of his relationship with the First Lady, and I think there's a good chance he knew of the problems that Webster Hubbell was about to face, given his handling of clients in the Rose firm.

TED KOPPEL. When you talk about Web Hubbell, I should point out, first of all, Vince Foster, Hillary Clinton, Web Hubbell had all been partners at the—at the Rose Law Firm together. Web Hubbell then came with the Clintons to Washington, was briefly the assistant attorney general of the United States, and you write that in the months before Vince Foster committed suicide, that he went over to Web Hubbell's house and went down in the basement to look at what?

JAMES STEWART. Well, there were files in Web Hubbell's basement that had been removed from the Rose Law Firm during the campaign by Web Hubbell and Vince Foster. Web and Vince, during the campaign, went through the Rose Firm and removed anything that they thought might be controversial or create problems for the campaign, and this including many of the billing records relating to Hillary Clinton's work for Madison Guaranty and other matters. And one day Vince Foster went over and he and Web Hubbell got into the basement, they went to the boxes, and they went through those materials looking for these particular files, which they did get and turn over to the First Lady. But also in those files were all of this other material, including a lot of the Whitewater material, bank records from Whitewater, and the billing records, as I mentioned before.

TED KOPPEL. Is it—is it your impression that Vince Foster then took those billing records to the White House, to his office?

JAMES STEWART. It's certainly a possibility. I don't know for sure, and nobody's said they recalled him taking documents out of the basement. But those documents in the basement were later all turned over to the Williams and Connolly firm after they learned that Web Hubbell had all these documents, and they supposedly turned all those documents over to Congress. So these records did not surface there. So that sug-

gests to me that somehow, between their first being removed from the Rose firm to their being discovered, they were in Vince Foster's office.

TED KOPPEL. Talk to me for a moment about—about Travelgate, but first of all, let's take a look at something the First Lady said, I believe in her interview with Barbara Walters, about the whole Travelgate affair.

HILLARY CLINTON ["20/20"]. I think that everyone who knew about it was quite concerned, and wanted it to be taken care of, but I did not make the decisions, I did not direct anyone to make the decisions, but I have absolutely no doubt that I did express concern, because I was concerned about any kind of financial mismanagement.

TED KOPPEL. Mrs. Clinton presents herself in that interview as exercising a sort of passive role. "Yes, I may have expressed some concern about but I certainly didn't initiate it." There is a memorandum by David Watkins, I believe. Tell the story of that memorandum, because it, of course, suggests something totally different, but the White House itself ultimately produced that memorandum and made it available. Why is that significant?

JAMES STEWART. Well, the facts, as I discovered, on the travel office affair, are as follows. I learned, before the production of this memo, that in fact, whatever her own personal belief about this is, Mrs. Clinton was the first person to suggest to David Watkins that these people be replaced.

TED KOPPEL. David Watkins being?

JAMES STEWART. He was the head of management in the White House and was the person in charge of personnel in the White House, including the travel office.

TED KOPPEL. Right.

JAMES STEWART. She was the first one to say to him, "We need our people in this office." Did she literally say "Fire them"? No. But the implication seemed very clear to him and to everyone else who spoke with her, and that's what set in motion the chain of events that led to their being fired.

TED KOPPEL. But the—the memorandum that David Watkins wrote to his own file about all of this, and about falling on his sword for the First Lady, is a memorandum that the White House itself, after all, made available. Now, that certainly puts them in a good light, doesn't it?

JAMES STEWART. Well, I don't think so. First of all, that memorandum had been under subpoena for a considerable period of time. The independent counsel, the predecessor to Kenneth Starr, had subpoenaed that particular document. Meanwhile, I think the White House was aware that all this information was soon going to be made public. I have no idea how they found it, when they did, or why they decided to—to make it public when they did, but I do know that the week before that, I and my fact checker were checking the details about the First Lady's involvement in the travel office affair with the White House press office, with people in the White House, and had even faxed them material that dealt with this very subject, and almost immediately after that the memo itself appeared.

TED KOPPEL. What you're suggesting, Jim, is that because you indicated that something about this was going to be in your book that they then decided to—to make it public before it became public in your book?

JAMES STEWART. Well, as I said, I don't know why they did it. All I can say is, I had all this information in the book, we were fact-checking this information with the White House, so the White House knew this information was going to be in the book and shortly after that the memo appeared. But I'm sure the White House will say that no, that had nothing to do with it.